

Washington, DC— With the belief that the bill meets three criteria for responsible energy legislation, Congressman Joe Sestak (PA-07) voted in favor of The Comprehensive American Energy Security and Consumer Protection Act (H.R. 6899), as the House passed the bill by a 236-189 margin. The provisions enacted represent a balanced effort to address the stalemate that has occurred on energy, permitting an opportunity to move beyond rhetoric to action that benefits the American public. —

“My position throughout this effort has been based on three consistent principles and, while there is still much work to be done, this legislation takes into account these important objectives,” said Congressman Sestak. “First, it provides for a comprehensive energy policy with relief for Americans in the short term, but also with a vision for the long-term transition to alternative, clean and renewable sources of energy. Anything else would have been a failure of our responsibility to future generations of Americans.

“Second, the bill addresses the need for an accountable and transparent policy that properly creates a balance among all of our nation’s natural assets-- including our oil and gas reserves, as well as our environment-- while creating jobs.

“Third, this legislation supports expanded drilling in the Outer Continental Shelf and Alaska only after ensuring the “diligent development” of leased Federal lands so as to force more rapid drilling of the viable oil and gas reserves already held by the energy companies.

“With passage of this act, we have made significant progress on each of these three principles, addressing short, medium, and longer-term energy needs; providing for accountable oversight of drilling with a fair return for use of the public lands; and proper incentives to increase conservation and promote energy technology jobs based here in America.”

To provide near-term gas price relief, up to 10 percent of the Emergency Strategic Petroleum Reserve will be released, and replaced over time with heavier, cheaper crude oil. This will help reduce the price of gas at the pump by freeing up light sweet crude oil for use now, while increasing revenues to the government.

To provide medium-term relief, the bill takes actions to expand domestic oil and gas supply, starting first with better utilization of the existing acreage already under lease

It requires oil companies to drill on the 68 million acres of federal lands they already control by establishing “diligent development” requirements for the very first time. This bill establishes requirements that oil companies must drill for oil on federal lands leased for drilling and not just hoard precious acres for some undetermined amount of time; this is known as “diligent development”. The bill also requires the oil and gas companies to pay royalties and fees on millions of acres of existing leases in the Gulf of Mexico for which they have failed to do so. And it increases the transparency of “diligent development” efforts by requiring annual reporting to Congress of the number of leases onshore and offshore by individual State, and by lease year of the acreage under lease, including a detailed assessment by lease of the progress of drilling. A comprehensive review is to be provided of seismic activity, permit applications and approvals, wells drilled, and wells producing, all to ensure drilling-- “diligent development”-- of leases that the oil companies have in their possession. The bill will also require reporting of the agency personnel resources, including the number of people working to review environmental lease and permit applications. This is important because in meetings with the major oil companies, the Congressman heard complaints that it was not the environmental regulations slowing drilling in Alaska, but rather it was the Bush Administration’s failure to adequately staff the agencies that process the applications.

Congressman Sestak does not support President Bush’s efforts to lift the moratorium for uncontrolled drilling 3 miles offshore , but with “diligent development”, there can be a responsible compromise on drilling on the Outer Continental Shelf, as this bill allows. The legislation permits leasing between 50 and 100 miles offshore if a State decides it wants to ‘opt-in’ to allow leasing off of its coastline, and permits drilling over 100 miles offshore for the entire Atlantic and Pacific coasts.

To further ensure responsible use of domestic resources, this bill:

Establishes clear environmental protections, as national marine monuments and national marine sanctuaries are permanently withdrawn from oil and gas leasing. And all leasing activities must protect the coastal, marine and human environment of the State coastal zones and OCS.

Protects the Department of Defense’s authority to designate national defense areas, with leasing in these areas taking place in accordance with a Memorandum of Agreement between the Defense and Interior Departments.

Supports the law enacted by the 2006 Republican-led Congress which protects some of the Eastern Gulf of Mexico—where a major military training area is located-- until 2022, while exempting Georges Bank in New England which supports the most valuable fishery in America.

Provides increased domestic oil production in Alaska, mandating that the Secretary of the Interior shall accelerate annual lease sales in the National Petroleum Reserve in Alaska (NPRA) to the maximum extent possible and environmentally responsible. This is important because NPRA has more oil than the Arctic National Wildlife Refuge and it can be brought to market sooner. The bill also requires the Bush Administration to facilitate completion of the oil pipeline infrastructure into the Reserve and the construction of the Alaska Natural Gas Pipeline -- which could create up to 100,000 jobs -- while banning export of Alaskan oil outside the United States.

Promotes Infrastructure for Natural Gas and E-85. Since natural gas costs 40 percent less than gasoline, is 33 percent cleaner and is produced in North America, this bill includes incentives and financing mechanisms for installing natural gas pumps in service stations. It requires that service stations owned by the major oil and gas companies install at least one "alternative fuel pump", such as natural gas or E-85 (a fuel mixture that contains up to 85% denatured fuel ethanol and 15% gasoline).

Improves Carbon Capture & Sequestration efforts, advancing the development and deployment of carbon capture and storage (CCS) technologies to develop a clean way to use coal.

Addresses Oil Shale, allowing Utah, Wyoming, and Colorado to opt in to exploration, development, or production of federal oil shale reserves, if the states enact appropriate laws.

To ensure a future not dependent upon foreign oil or fossil fuels, the bill builds the long-term foundation for a sustainable energy future from renewable sources, while creating American jobs, by providing for the following:

Renewable Energy and Efficiency Tax Incentives. The bill extends and expands tax incentives for renewable energy, while creating hundreds of thousands of American jobs by investing in

this emerging industry. It provides an 8-year extension to the investment tax credit for solar energy and fuel cells; a 3-year extension of the production tax credit for energy derived from bio-mass, geothermal, hydropower, landfill gas, and solid waste; and a one-year extension of the production tax credit for energy derived from wind. It provides for clean renewable energy bonds for electric cooperatives and public power companies. It also provides for production of homegrown renewable fuels and tax credits for the purchase of fuel-efficient, plug-in hybrid electric vehicles and for energy efficient homes, buildings, and household appliances such as washers and dryers. These investments in renewable energy will create three to five times as many jobs as investments in fossil-fuel energy.

Investing in Renewable Energy, Energy Efficiency and Home Heating Assistance (LIHEAP), Paid for by Making Oil Companies Pay their Fair Share for Drilling on Public Lands. The bill creates a Strategic Renewable Energy Reserve to invest in clean, renewable energy resources and alternative fuels; promotes new energy technologies; develops greater efficiency and improve energy conservation. It will also fund home heating assistance (LIHEAP), weatherization, the Land and Water Conservation Fund, and carbon capture and sequestration. Revenues from new areas opened offshore also will be deposited in this fund.

Electricity from Clean Renewable Sources. The bill requires utility companies to generate 15 percent of electricity from renewable sources -- such as wind power, biomass, wave, tidal, geothermal and solar -- by 2020. A 15 percent Renewable Electricity Standard will reduce global warming emissions and lower energy prices, saving consumers \$13-18 billion cumulatively by 2020. The bill permits utilities to meet up to 4 percent of their target through energy efficiency.

However, in addition to expanding supply, we must continue to take action to reduce demand through increased energy conservation. Therefore, the bill includes provisions for:

Strengthening Energy Efficiency in Buildings to Bring Down Costs. This will save consumers at least \$210 billion in energy costs through 2030 by updating energy codes for new buildings. New residential and commercial buildings will have to realize a 30 percent improvement in minimum building standards by 2010, and 50 percent by 2020. The building sector alone accounts for approximately 48% of all energy consumed in the United States, and of all U.S. greenhouse gas emissions.

Incentives for Energy Efficient Homes. The bill provides incentives to lenders and financial

institutions, including the Federal Housing Administration, to provide lower interest loans to consumers who build, buy or remodel their homes to improve their energy efficiency. The average American consumer spends 9.7% of their annual income on energy, while low-income households spend more than 16%.

Saving Energy through Public Transportation Act, reducing transit fares for commuter rail and buses, while expanding their service. The average commuter can save up to \$8,000 a year riding public transit.

Finally, the bill includes provisions to ensure that the American public receives its fair share of the revenue from utilization of oil and gas reserves from federal lands. Revenue from these provisions will help fund establishment of the Strategic Energy Efficiency and Renewables Reserve to move us toward a clean energy future. Provisions include:

Royalty Reform, making oil companies pay their fair share for drilling on public lands. It ensures that oil companies pay their fair share of royalties on flawed leases granted in 1998 and 1999, despite there having been a requirement that oil companies pay royalties on all offshore oil leases. Oil companies holding 70 percent of these leases issued in the Gulf of Mexico from 1998 and 1999 pay no royalties on this oil, costing American taxpayers about \$15 billion. This bill corrects this failure.

Repeal of Tax Subsidies. The act repeals a provision of the 2004 international tax bill for the largest five oil and gas companies, which allows them to classify energy production as a “manufacturing good” to qualify for tax deductions (small, independent oil and gas companies would be permitted to continue to benefit from the deduction at the current rate). The bill also closes a foreign tax loophole for large oil companies which permits under-reporting of taxable foreign income by allowing the companies to not report taxable income derived overseas. These will pay for critical investments in American renewable energy.

The establishment of a Strategic Energy Efficiency and Renewables Reserve to be funded from royalty reforms that fix 1998-1999 leases and would be available to pay for:

The acceleration of clean domestic renewable energy resources and alternative fuels;

Promotion of the utilization of energy-efficient products and practices, and conservation;

Increase of research, development, and deployment of clean renewable energy and energy efficiency technologies; and

The funding of the Land and Water Conservation Fund; Low Income Home Energy Assistance (LIHEAP); Weatherization; and Carbon Capture and Sequestration.

Mineral Management Service Ethics Reform. The bill takes a number of aggressive steps to crack down on extreme misconduct at the Mineral Management Service – the agency charged with collecting royalties from oil and gas companies, which is one of the largest sources of revenue for the federal government after taxes. The Interior Department’s Inspector General’s recent report outlined a range of illegal and unethical behaviors plaguing the MMS, including accepting gifts, meals, and drinks from industry representatives; instances of illegal drug use among employees; sexual relationships between MMS employees and representatives of oil and gas companies; and violations of federal procurement regulations, which clearly put taxpayer dollars at risk, such as steering lucrative contracts to former employees in the private sector.

The Comprehensive American Energy Security and Consumer Protection Act is a good first step for ensuring a comprehensive approach to an energy future that is affordable, environmentally sound, and free of foreign dependence. It establishes a long-term foundation for renewable energy, while providing for short-term price relief and addressing the needs for both expanded domestic supply, appropriate environmental protection and conservation. Importantly, the bill also provides improved accountability in the proper use of our natural resources and ensures that we use all of our natural resources under a diligent, environmentally sound development policy as we move to a sustainable energy future.

“There are, however, future steps to be taken that can -- and must-- now build upon this foundation,” said Congressman Sestak. “For example, we need to provide for a nuclear power initiative that ensures the standardization of all new nuclear power plants while resolving the issue of storage of waste materials at Yucca Mountain, all with a nuclear energy strategic plan.”

“As another of several examples, for proper business investment, we need to extend the tax incentives for wind-power to eight years – rather than the one-year extension in this bill-- under a “pay-as-you-go” fiscally responsible government. And finally, more bi-partisanship needs to be evidenced in the development of future energy bills as the next steps are taken in building upon the strong comprehensive foundation this bill provides for a sound energy policy for America.

“There will be critiques of this comprehensive effort, particularly from those that want to remove all limits on offshore drilling. Balance those with the lessons of the last few months, where the lack of government oversight and accountability has resulted in an extraordinary crisis that started with the housing and mortgage industry and has now moved across our banking and financial sectors. And recently, the federal agency charged with oversight of energy royalty

payments was found to be fraught with errors, as the U.S. Government Accountability Office's report says that the federal system for collecting oil and gas revenues needs a comprehensive assessment.

"This bill introduces the oversight and accountability that we must have in the overall energy sector to move forward for the responsible use of our natural resources. I will continue to work in a bipartisan fashion to bring transparency, honesty, and efficiency to our energy policy."

Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the Congress.

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